

Message Text

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ORIGIN ARA-10

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INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01

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DRAFTED BY ARA/ECP:SHROGERS:SAB

APPROVED BY ARA/ECP:SHROGERS

ARA/APU:JSMITH (DRAFT)

EB/OIA:RSMITH (DRAFT)

E:RASORENSEN (SUBSTANCE)

S/S-MR ORTIZ

TRSY:FMARESCA (INFO)

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P 030002Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES PRIORITY

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E.O. 11652: N/A

TAGS:ECON, AR

SUBJECT: ARGENTINE ECONOMIC PLAN AND POLICY TOWARDS
NATIONALIZATION

1. SUMMARY: CARLOS DIETL, CHAIRMAN OF BOARD OF U.S.-
OWNED FIRM PASA AND CONFIDANTE OF NEW FINANCE MINISTER
MARTINEZ DE HOZ, CALLED ON UNDER SECRETARY ROBINSON
MARCH 29. HE DESCRIBED FORMULATION OF THE ECONOMIC
PLAN OF NEW GOVERNMENT AND SAID GOA HAS MADE DECISION
TO MOVE PROMPTLY TO SETTLE EXPROPRIATION CASES INVOLVING
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U.S. AND OTHER FOREIGN INTERESTS. END SUMMARY

2. DIETL SAID MILITARY GOVERNMENT FORESEES THAT THREE TO FIVE YEARS WILL BE NECESSARY TO OVERCOME SERIOUS PROBLEMS AND SET COUNTRY BACK ON RIGHT TRACK. HOWEVER, GOA BELIEVES SOME POSITIVE RESULTS WILL BE NECESSARY WITHIN NEXT THREE TO SIX MONTHS TO AVOID POSSIBLE BAD REACTION IF PRESENT HIGH EXPECTATIONS FOR NEW GOVERNMENT ARE DISAPPOINTED. ECONOMIC PLAN, WHICH DIETL SAID WOULD BE ANNOUNCED SOON, WAS FULLY DEVELOPED AND CLEARED WITH MILITARY LEADERS AHEAD OF TIME.

3. DIETL SAID GOA HAD MADE DECISION TO SETTLE EXPROPRIATION CASES BEFORE SENDING OFFICIAL MISSION TO USG AND IFIS. GOA RECOGNIZES SERIOUSNESS OF GSP ELIGIBILITY

PROBLEM AND THE DANGER THAT U.S. WILL BE FORCED TO WITHDRAW GSP. SUCH ACTION, HE BELIEVED, COULD BE TAKEN WITHIN ARGENTINA AS HOSTILE ACT AGAINST NEW GOVERNMENT.

4. DIETL ASKED WHETHER HE COULD TELL MARTINEZ USG WOULD NOT ACT WITHIN NEXT TWO WEEKS OR SO. UNDER SECRETARY INDICATED USG RECOGNIZED ADDED COMPLICATION CREATED BY CHANGE OF GOVERNMENT. DIETL EXPRESSED FULL CONFIDENCE THAT POSITIVE ACTIONS WOULD BE TAKEN THAT WOULD SATISFY AMERICAN INTERESTS INVOLVED. HE SAID GOA WILL BEGIN BY CALLING IN REPRESENTATIVES OF AT LEAST CHASE AND ITT, AND PERHAPS EXXON. DIETL WAS NOT AWARE THAT FURTHER GOA ACTION WAS NECESSARY ON THE DELTEC CASE, WHICH HE THOUGHT HAD ALREADY BEEN RESOLVED BY THE COURTS.

5. DIETL SAID NEW GOVERNMENT INTENDS TO GET QUICK ECONOMIC BENEFITS BY PUTTING NATIONALIZED INDUSTRIES ON BUSINESS-LIKE BASIS. HE RECOGNIZED THAT IT WOULD NOT BE POSSIBLE TO RETURN SOME, SUCH AS RAILROADS, TO PRIVATE HANDS. IMPLICATION WAS THAT THOSE THAT CAN WILL BE RETURNED TO PRIVATE HANDS.

6. DIETL SAID THAT HE WOULD BE ONE OF FIVE OR SIX LIMITED OFFICIAL USE

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MEMBERS OF A PRIVATE SECTOR ADVISORY GROUP TO MINISTER MARTINEZ. HE WAS CONFIDENT THAT NEW GOVERNMENT'S POLICY WOULD SUCCEED, BASED ON RICH RESOURCES OF ARGENTINA AND LIKELIHOOD THAT MOST OF THE PEOPLE AND FUNDS THAT HAVE LEFT ARGENTINA BECAUSE OF ECONOMIC AND POLITICAL INSTABILITY WOULD RETURN.

7. DIETL ALSO MET WITH EXIM BANK OFFICIALS INCLUDING

ACTING CHAIRMAN WALTER SAUER AND DIRECTOR R. ALEX
MCCULLOUGH. EXIM OFFICIALS LISTENED WITH INTEREST
TO DIETL AND RESPONDED TO HIS PRESENTATION BY
INDICATING THEY WOULD GIVE CAREFUL STUDY TO THE
GOA'S NEW ECONOMIC PLAN AND BY EXPRESSING PLEASURE
THAT MARTINEZ DE HOZ WAS THE NEW ECONOMY MINISTER,
AS HE HAS AN EXCELLENT REPUTATION AT EXIM. KISSINGER

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